

National Child Development Fund -2014

The audit of financial statements of the National Child Development Fund for the year ended 31 December 2014 comprising the balance sheet as at 31 December 2014 and the income and expenditure account for the year then ended and a summary of other explanatory information was carried out under my direction in pursuance of provisions in Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka. My comments and observations on the above financial statements appear in this report.

1.2 Management's Responsibility for Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1:4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2:1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2:2 of this report, the financial statements give a true and fair view of the financial position of the National

Child Development Fund as at 31 December 2014 and its financial performance for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Accounting Deficiencies

The following observations are made.

- (a) Even though the interest income on fixed deposits relating to the year amounted to Rs.427,500, it had been brought to account as Rs.378,750. The interest income amounting to Rs.48,750 received on 19 December 2014 according to the bank statement had not been brought to account as income and it was shown as unidentified receipts in the Bank Reconciliation Statement for December in the year under review.
- (b) A sum of Rs.106,682 was received during December 2013 and a sum of Rs.401,928 was received in the year 2014, which included in Rs.508,610 shown as Unidentified Receipts according to the Bank Reconciliation Statement as at 31 December in the year under review. As those amounts had not been identified and brought to account, the income from sales of flags had been understated by Rs.106,682 and Rs.353,178 in the years 2013 and 2014 respectively.

2.3 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances were observed.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
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Guidelines of the National Child Development Fund	Even though the control of the Fund should be done by the Inter-Ministerial Monitoring Committee and it should meet at least once a month to consider the applications, the committee had not met even once during the year under review as in the well as in the preceding year and new children had not been selected to give aids during the year under review.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Fund for the year ended 31 December 2014 was a deficit of Rs.1,077,828 as against the surplus of Rs.689,129 for the preceding year, thus indicating a deterioration of Rs.1,766,957 in the financial result.

4. Operating Review

4.1 Performance

The main source of income of the Fund was the sale of flags on Children's Day and 380,000 flags had been sent to 335 District and Divisional Secretariats for the sale of flags on Universal Children's Day of the year under review by spending a postage of Rs.29,080. Even though it was informed to remit 50 per cent out of the total amount received from the sale of flags, to the Child Development Fund before 30 November, only 75 offices had credited the money by 31 December in the year under review. Even though another 211 offices had remitted the money as at 30 July 2015, forty nine offices to which 50,000 flags were sent had not remitted the money, thus it was revealed that a proper methodology for collection of income from the sale of flags had not been introduced, by the Fund.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

In terms of the Public Enterprises Circular No.PED/12 dated 02 June 2003, the financial statements should be furnished to Auditor General within 60 days after the end of the financial year. Nevertheless financial statements had been furnished only on 03 July 2015.

5.2 Action Plan

An Action Plan for the year under review had not been prepared. As such, a proper evaluation on the achievements of objectives expected during the year under review could not be carried out.

5.3 Tabling of Annual Reports

In terms of the Paragraph 4.4 (a) of the Public Finance Circular No PF/423 dated 22 December 2006, the Annual Report along with the Report of the Auditor General and the financial statements of the Fund should be tabled in Parliament within 05 months after the close of the year of accounts. Nevertheless, it had not been so done from the year 2007.

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Secretary of the ministry from time to time. Special attention is needed in respect of the collection of income.